

MEMORANDUM

TO: Northampton Retirement Board

FROM: Joseph E. Connarton, Executive Director

RE: Approval of Funding Schedule

DATE: November 6, 2014

This Commission is hereby furnishing you with approval of the revised funding schedule you recently adopted (copy enclosed). The schedule assumes payments are made on July 1 of each fiscal year. The schedule is effective in FY15 (since the amount under the prior schedule was maintained in FY15) and is acceptable under Chapter 32.

The current funding schedule is effective only through FY17. The schedule shows a decrease in the level of appropriation from FY17 to FY18. This reduction is the result of the treatment of deferred investment gains. Pursuant to Section 22F, the appropriation in one fiscal year cannot be less than the appropriation for the prior fiscal year. We expect that when the next funding schedule is adopted, the amount for FY18 in that schedule will conform to the provisions of Chapter 32.

In addition we note that the current funding schedule completes the amortization of the unfunded actuarial liability (UAL) in FY36. Although this is allowable, our recent emphasis is for systems to work to establish funding schedules that complete the amortization of the UAL by FY35 at the latest. This allows systems some flexibility in the event of a market downturn. This has been difficult for many systems while recognizing the 2008 investment loss over the prior five years. Now that the 2008 loss is completely recognized, we believe establishing a schedule that completes the amortization of the UAL by FY35 should be a top priority.

If you have any questions, please contact PERAC's Actuary, Jim Lamenzo, at (617) 666-4446, extension 921.

Enc.



NORTHAMPTON RETIREMENT SYSTEM

FUNDING SCHEDULE

Fiscal Year	Normal Cost	Unfunded Liability*	Funding Amortization of UAAL	Net 3(8)(c) Payments	Schedule Contribution
2016	1,362,098	58,252,094	4,009,109	43,886	5,415,093
2017	1,423,392	58,446,816	4,162,207	43,886	5,629,486
2018	1,487,445	53,895,390	3,988,832	43,886	5,520,164
2019	1,554,380	53,774,315	4,141,346	43,886	5,739,613
2020	1,624,327	51,308,673	4,130,043	43,886	5,798,257
2021	1,697,422	50,834,974	4,288,077	43,886	6,029,385
2022	1,773,806	50,154,281	4,452,174	43,886	6,269,866
2023	1,853,627	49,244,021	4,622,567	43,886	6,520,080
2024	1,937,040	48,079,617	4,799,498	43,886	6,780,425
2025	2,024,207	46,634,328	4,983,219	43,886	7,051,313
2026	2,115,297	44,879,070	5,173,992	43,886	7,333,175
2027	2,210,485	42,782,221	5,372,088	43,886	7,626,459
2028	2,309,957	40,309,419	5,577,788	43,886	7,931,631
2029	2,413,905	37,423,332	5,316,771	43,886	7,774,562
2030	2,522,530	34,594,819	5,517,213	43,886	8,083,630
2031	2,636,044	31,331,121	5,725,212	43,886	8,405,143
2032	2,754,666	27,590,367	5,941,053	43,886	8,739,605
2033	2,878,626	23,327,136	6,165,030	43,886	9,087,543
2034	3,008,165	18,492,169	6,397,452	43,886	9,449,503
2035	3,143,532	13,032,058	6,638,636	43,886	9,826,054
2036	3,284,991	6,888,912	6,888,912	43,886	10,217,790
2037	3,432,815	-	-	43,886	3,476,702

Amortization of Unfunded Liability as of July 1, 2015

Year	Type	Original Amort. Amount	Percentage Increasing	Original # of Years	Current Amort. Amount	Years Remaining
2005	ERI-Housing	7,992	4.50%	24	12,970	13
2006	ERI-City	164,100	4.50%	23	254,842	13
2016	Fresh Start	3,741,296	3.77%	21	3,741,296	21

Notes on Amortization of Unfunded Liability

Year is the year the amortization base was established.

Type is the reason for the creation of the base. Examples are Gain/(Loss) or Fresh Start.

Original Amortization Amount is the annual amortization amount when the base was established.

Percentage Increasing is the percentage that the Original Amortization Amount increases per year.

Original # of Years is the number of years over which the base is being amortized.

Current Amortization Amount is the amortization payment amount for this year.

Years Remaining is the number of years left to amortize the base.

* Reflects the following deferred gains:

2018: \$4,596,277

2020: \$2,170,851